Newfoundland
Labrador





The Economic Review 2013

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Gambo Brook

Newfoundland Labrador

Global Economic Environment

The World

The global economy has struggled to sustain economic momentum since the recent global recession. Emerging economies continue to expand, but growth has moderated. The debt crisis and mitigating responses across European nations continue to evolve and actions to contain debt have, in many cases, curtailed growth. In the United States (U.S.), a host of unresolved political and fiscal issues have undermined business and consumer confidence, which in turn curbed investment, employment and Gross Domestic Product (GDP) growth. This has required central bankers to maintain very aggressive monetary policies.

Overall, global growth is expected to be moderate in 2013. Expectations are currently lower than they were earlier in the year due mainly to poorer than anticipated performance in the U.S. and China, the two largest economies. Nonetheless, indicators point to some strengthening in the second half of the year in these countries. The OECD's composite leading indicators for September 2013 signal improvements in growth for most advanced economies and China.[1] The International Monetary Fund's (IMF) October 2013 forecast pegs global economic growth at 2.9% (see table), down from 3.1% in July's forecast and 3.5% in January's forecast. This latest IMF forecast places growth below that recorded in 2012 (3.2%).

World GDP growth is forecast to accelerate in 2014 as issues in the U.S. are expected to be resolved and most countries within the European Union (EU) begin recovery.


United States Congress

GDP Growth (%)

	2012	2013f	2014f
World	**3.2**	**2.9**	**3.6**
Brazil	0.9	2.5	2.5
India	3.2	3.8	5.1
Russia	3.4	1.5	3.0
China	7.7	7.6	7.3
Canada	**1.7**	**1.7**	**2.4**
United States	**2.8**	**1.5**	**2.6**
Japan	2.0	2.0	1.2
Australia	3.7	2.5	2.8
European Union	-0.3	0.0	1.3
United Kingdom	0.2	1.4	1.9
Euro Area	-0.6	-0.4	1.0
Germany	0.9	0.5	1.4
France	0.0	0.2	1.0
Spain	-1.6	-1.3	0.2
Italy	-2.4	-1.8	0.7

f: forecast

Source: Canada - average forecast of major Canadian banks; U.S. - Survey of Professional Forecasters, U.S. Federal Reserve Bank of Philadelphia; all other jurisdictions - International Monetary Fund, October 2013

1 The Organization for Economic Co-operation and Development's (OECD) composite leading indicators series is designed to anticipate turning points in the business cycle six to nine months before they occur. Typical indicators include orders and inventory changes, financial market indicators, and business confidence surveys.

Europe

The sovereign debt crisis in many European countries and subsequent austerity measures continue to impact the European economy. Since 2008, the region has been in and out of recession and unemployment has risen dramatically in many countries. Better-than-expected second quarter results raised hopes that Europe may be entering a recovery period, but economic growth will likely remain below that of other industrialized countries in the near term. Real GDP in the EU grew by 0.3% and 0.2% in the second and third quarters, respectively, with household spending underpinning the economic expansion. Consumer confidence rose sharply in recent months and it is expected that expansion of the European economy will continue. However, weakness in the labour market will likely limit the pace of the consumer recovery. Unemployment rates remain historically high, especially in Greece and Spain where rates exceed 25%. More dynamic growth beyond the consumer sector will be needed to spur investment and job creation.

Regionally, the outlook for Europe is varied. For much of northern Europe (e.g. United Kingdom, Sweden, Germany, France) the economic outlook has brightened considerably and while growth rates are anticipated to be relatively low they are expected to be higher than those seen in recent periods. Most of Europe's manufacturing sector is located in the northern region and as a result it will benefit from improved demand in North America and Asia. Meanwhile, the outlook for much of southern Europe (e.g. Greece, Spain, Italy) is not as optimistic since this region benefits less from exports outside of the Eurozone. Also, high unemployment rates have forced many to leave the Southern region in search of work.

The IMF currently forecasts no change in GDP for the EU in 2013 and growth of 1.3% in 2014.

China

China's economy continues to expand. Economic data for 2013 suggests sustained growth but at a slower pace than in previous years. Real GDP growth slowed to between 7% and 8% in the first three quarters of 2013 compared to an average annual growth rate above 10% over the last decade.

While growth decelerated throughout most of 2013, there have been signs of improvement in recent months. Industrial production in August accelerated to its best pace in 17 months, while the latest retail sales, investment and exports have been exhibiting strong growth.

Recent actions by the Chinese government may have dampened the downward momentum that the country was experiencing. At the end of July the government began a "mini-stimulus" program in response to declining growth rates. The program reduced taxes for small companies, cut administrative red tape for exporters and expedited railway development. This helped to stimulate the economy but economists warn that growth caused by this investment is not sustainable. The Chinese government hopes that these latest injections will improve confidence which will provide a boost going forward.

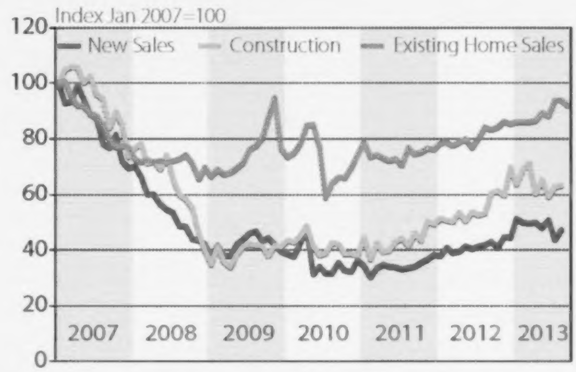
The IMF's expectation for China's growth is 7.6% for 2013 and 7.3% for 2014.

United States

Economic recovery in the U.S. has been challenged by recurring fiscal and political issues and data continue to give mixed messages about the state of the economy. On the positive side, real GDP rose by 2.8% in the third quarter of 2013, higher than growth of 2.5% in the second quarter

and 1.1% in the first quarter. Employment is averaging gains of 186,000 per month so far this year and the unemployment rate has fallen from 7.9% in January to 7.3% in October. As well, average weekly earnings rose by 2.1% in the first 10 months of the year compared to the same period of 2012. Initial jobless claims are near seven-year lows and the latest manufacturing data show strong increases. However, the housing sector (see chart) and consumer spending, which were previously important contributors to the improvements in the U.S. economy, have exhibited signs of weakness in recent months. The slowdown in the housing sector is largely due to the increase in mortgage interest rates. Consumer spending gains have been weak, hampered by slow growth in incomes, tax increases and uncertainty created by the political impasse over raising the debt ceiling.

US Housing Indices



Source: US Census Bureau; National Association of Realtors

The impending tapering of asset purchasing by the Federal Reserve could have significant economic implications. Even speculation about when this tapering will occur is currently impacting markets. The current $85 billion per month asset purchasing program has been in effect since last year and is meant to stimulate economic growth and hiring by keeping long-term mortgage rates low and encouraging households and businesses to spend and invest. Currently, the question of whether or not to taper this program is being examined on a month-to-month basis, with many economists expecting that tapering will begin in December. The timing and magnitude of this tapering will affect many aspects of the U.S. economy, including a potential pullback in stock prices and further increases in interest rates.

Other issues causing uncertainty in the U.S. include the continued political wrangling over approval of federal budget funding for the 2013/14 fiscal year and raising the debt ceiling.[2] Republicans and Democrats are deeply divided on how to tackle U.S. deficits resulting in a series of stalemates or stop-gap measures that are creating considerable uneasiness. The latest agreement between both parties has the budget funding extending to January 15 while the debt ceiling has been extended through February 7. The continuing volatility of this situation and the risk of debt defaulting could prove to have significant effects on credit markets, the value of the U.S. dollar and interest rates. The prospect of a default in 2011 contributed to a sharp decline in consumer and business confidence and caused stress on financial markets. When the issues of tapering asset purchases and raising the debt ceiling are resolved, it could potentially lay the ground work for a sustained period of strong economic expansion.

As it is, the expectation for GDP growth in the U.S. this year is moderate at 1.5%, lower than the 2.8% growth recorded in 2012. GDP growth is expected to accelerate to 2.6% in 2014. In the 10 years leading up to the recession, average growth was 3.1%.

2 The U.S. Federal Government's fiscal year extends from October 1 to September 30.

Canada

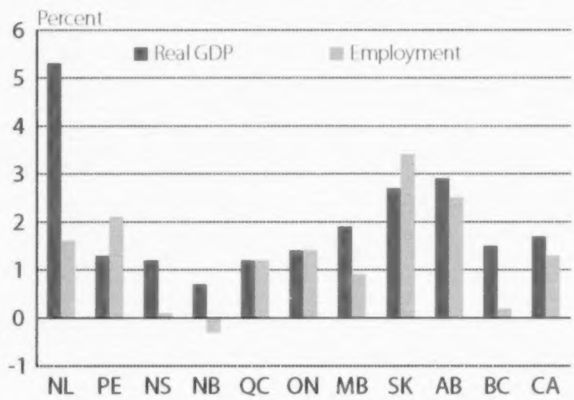
Economic performance in Canada has been unsteady throughout 2013. Real GDP expanded 2.2% at an annualized rate in the first quarter but slowed to 1.7% in the second quarter. Expectations for the third quarter have improved in recent months and growth is forecast to reach more than 2%.

Canada's employment increased from about 17.7 million in December 2012 to 17.8 million in October 2013, an increase of 126,300 jobs. This was met by an expansion in the labour force of 0.5% or 92,900. As a result, the unemployment rate fell from 7.1% to a seasonally adjusted rate of 6.9% in October. Wages are also increasing, with average weekly earnings at about $910 in the first eight months of the year—up 2.0% from the same period in 2012.

Canada is a major commodity exporting country. The country has benefited from strong commodity prices for energy and minerals, which have been buoyed by demand from developing nations. As a result, its economy has been somewhat resilient through recent periods of economic volatility. Nevertheless, the U.S. continues to be the world's largest economy and Canada's largest trading partner. Therefore, a resolution to the economic and fiscal turmoil in the U.S. would benefit Canada, and likely result in stronger export demand, higher commodity prices, increased consumer confidence and, consequently, increased economic growth.

Real GDP in Canada is expected to grow 1.7% annually in 2013 and 2.4% in 2014, according to an average estimate of forecasters, while the unemployment rate is expected to be 7.1% in 2013 and 6.8% in 2014. Newfoundland and Labrador is expected to lead the provinces in real GDP growth in 2013 at 5.3% followed by Alberta (+2.9%) and Saskatchewan (+2.7%).[3]

GDP and Employment Growth, 2013



Source: Average of Canadian major banks and the Conference Board of Canada

3 Readers are reminded that the growth rate quoted for Newfoundland and Labrador is an average estimate of forecasters and will differ from the latest forecast released by the Department of Finance referenced on page 6.

Provincial Economic Overview

Economic conditions in Newfoundland and Labrador have been strong in 2013. The Department of Finance's latest economic forecast expects real GDP growth of 5.8%—the highest growth among provinces—due to significant increases in investment, consumption and exports. Furthermore, employment is expected to again reach record levels and the unemployment rate is expected to decline to the lowest rate since 1973.

Harbour Breton

Capital investment in the province is expected to total about $11 billion in 2013, an increase of 10.0% over 2012. The continued development of major projects, in particular Hebron and Muskrat Falls, is the primary reason for the increase in investment this year. Expenditures on the Hebron project alone are expected to reach almost $2 billion. Vale's nickel processing facility also accounted for a significant portion of total investment, with estimated expenditures of $1.1 billion this year. Solid commercial and residential expenditures also contributed to the high levels of investment spending. Total residential expenditures (including renovations) are expected to be $1.6 billion this year, a decline compared to 2012 but still high in a historical context. The decline in residential investment is consistent with lower housing starts this year (see *Real Estate*).

Consumer spending has been robust this year. The value of retail sales increased by 4.9% during the first eight months of 2013 compared to the same period of 2012. Gains were recorded in most sales categories however growth was largely attributable to strong car sales. Over 28,000 new cars were sold in the province from January to September, 5.8% more than the same period in 2012. New car sales are on track to post the highest number ever recorded in the province, surpassing the record high registered in 2012. In addition to sales of retail goods, expenditures on services are also posting solid growth this year. Receipts of food services and drinking places increased by 8.9% in the first eight months of 2013 compared to the same period of 2012, the fastest growth among provinces.

Total provincial exports (in real terms) are expected to increase by about 5% this year due primarily to a rebound in oil production and higher iron ore output. Oil production is expected to rise by about 17% as all projects post an increase in production following downtime-dampened output last year. As well, iron ore shipments are expected to increase by roughly 14% as two new iron ore producers ramp up production and IOC reaps the benefit of its concentrate expansion project.

On a year-over-year basis, growth in the Consumer Price Index (CPI), or inflation, was 1.5% in the first nine months of 2013. Minimal growth in energy prices (0.6%) kept a damper on inflation. Higher prices for furniture (2.7%), tobacco products (3.2%) and clothing (3.8%) were the main catalysts for upward pressure on inflation.

Economic Indicators

	2012e	2013f	2014f	2015f	2016f
GDP at Market Prices ($M)	33,817	36,396	37,389	37,311	37,042
% Change	0.9	7.6	2.7	-0.2	-0.7
% Change, real	-4.4	5.8	0.0	-1.7	-3.2
Final Domestic Demand* ($M)	32,612	35,641	36,371	36,460	33,353
% Change	11.3	9.3	2.1	0.3	-8.5
% Change, real	9.2	6.1	-0.3	-2.1	-9.9
Personal Income ($M)	20,987	22,127	22,793	23,385	23,491
% Change	7.0	5.4	3.0	2.6	0.5
% Change, real	4.8	3.9	1.2	0.6	-1.6
Personal Disposable Income ($M)	16,671	17,564	18,100	18,583	18,703
% Change	7.0	5.4	3.1	2.7	0.6
% Change, real	4.8	3.8	1.2	0.7	-1.4
Retail Sales ($M)	8,200	8,575	8,839	9,027	9,055
% Change	4.6	4.6	3.1	2.1	0.3
% Change, real	2.9	4.1	2.0	0.6	-1.4
Consumer Price Index (2002=100)	123.9	125.8	128.0	130.6	133.2
% Change	2.1	1.5	1.8	2.0	2.0
Capital Investment ($M)	10,039	11,045	11,792	11,746	9,202
% Change	33.0	10.0	6.8	-0.4	-21.7
% Change, real	26.4	3.3	5.7	-1.7	-22.7
Housing Starts	3,885	2,900	2,898	2,737	2,307
% Change	11.4	-25.4	-0.1	-5.6	-15.7
Employment (000s)	230.5	233.9	233.9	233.4	226.4
% Change	2.3	1.5	0.0	-0.2	-3.0
Labour Force (000s)	263.3	264.4	263.5	263.0	257.3
% Change	2.1	0.4	-0.3	-0.2	-2.2
Unemployment Rate (%)	12.5	11.5	11.2	11.3	12.0
Population (000s)	526.8	526.7	526.5	526.1	525.1
% Change	0.3	0.0	0.0	-0.1	-0.2

* Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

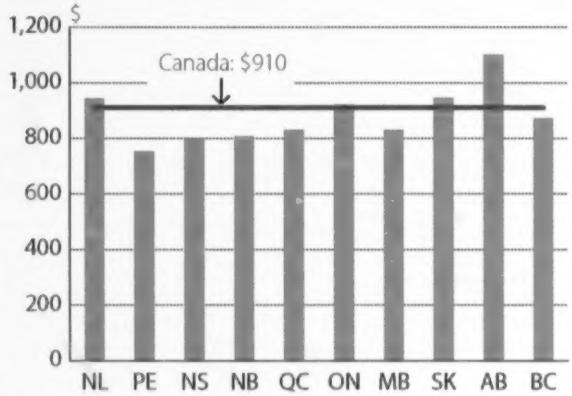
e: estimate; f: forecast, Department of Finance, November 2013

Source: Statistics Canada; Department of Finance

Labour Markets

Notwithstanding the impacts of the global recession experienced several years ago, labour markets in the province have been very robust (see *Special Insert: Labour Markets* for a discussion of labour market performance from 2007 to 2012). Furthermore, labour market performance has continued to be solid this year. From January to October, average employment was 1.5% or 3,500 higher than the same period of 2012. Job gains in 2013 have accrued to both full-time and part-time employment. Full-time employment increased by about 900 in the first 10 months of 2013 while part-time employment rose by 2,600. Strength in labour markets has been underpinned by major project development and related spin-offs.

Average Weekly Earnings January to August 2013 Average



Source: Statistics Canada

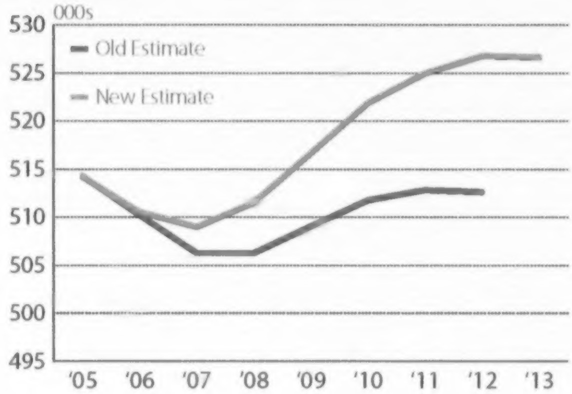
Despite continued growth in employment, the participation rate and the labour force has remained relatively stable so far in 2013. The participation rate averaged 61.4% in the January to October period compared to 61.6% in the same period of 2012. The labour force rose by 0.2% to 263,800 as a slight increase was recorded in population of labour force age (15 and over).

Gains in employment have resulted in a substantial drop in the unemployment rate this year. For the first 10 months of 2013, the unemployment rate averaged 11.4%, a decline of 1.2 percentage points compared to the same period of 2012. The unemployment rate in 2013 is expected to average 11.5% for the year. If realized, this would be the lowest unemployment rate in the province since 1973.

Rising wage rates are also evidence of a strengthening labour market. Average weekly earnings increased by 2.3% in the first eight months of the year compared to the same period of 2012 and follows growth of 5.4% in 2012. January to August average weekly earnings in Newfoundland and Labrador were the third highest among provinces, at $944, behind only Alberta and Saskatchewan and 3.7% above the Canadian average (see chart). Gains in employment and wages led to a 6.3% increase in labour income for the first half of 2013. Total personal income, which includes not only labour income but also other sources of income such as transfers and investments, is expected to rise by 5.4% this year.

Population

Population



Source: Statistics Canada

Economic expansion and buoyant labour markets have served to increase the province's population. Although the current population estimate for 2013 indicates no growth in population from the previous year, there has been significant growth since 2007 and population levels are significantly higher than previously thought. On September 26, 2013, Statistics Canada released its population estimates for July 1, 2013. With this release, Statistics Canada also revised its estimates from 2007 to 2012 to incorporate the results of the 2011 Census (previously, population estimates were being benchmarked to the 2006 Census counts). This resulted in a substantial upward revision in population estimates for Newfoundland and Labrador. The current estimate for 2012 of 526,841 is over 14,000 or 2.8% higher than the previous estimate of 512,659 (see chart). The revised population numbers now show significant growth between 2007 and 2012 with total population up by nearly 18,000 people or 3.5% over this period. The majority of the increase in population in recent years has been due to net in-migration as employment opportunities, particularly related to major project development, have enticed workers to move to the province. Migration trends, and subsequently population levels, will continue to be impacted by strength in the provincial economy as well as labour market demand from other provinces. As of July 1, 2013, the population was estimated to be 526,702. The province's population is now nearly back to levels last seen in the year 2000 when it was 527,966.

Outlook

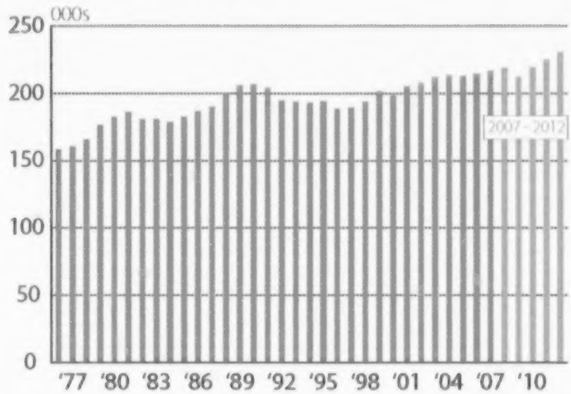
Economic growth is expected to moderate in 2014 reflecting lower nickel production and less construction investment. While overall investment is expected to remain high, there will be a shift to more machinery and equipment, thus generating less local economic activity. The current expectation is that real GDP will remain unchanged. Employment is expected to be stable as major project employment declines from peak levels recorded in 2013. Nonetheless, income growth is expected—albeit modest—as wage gains continue. Higher income will support an increase in retail sales.

Major project timelines and natural resource production will continue to impact economic growth in the province. Beyond 2014, declines in real GDP and employment are expected as oil production trends down somewhat and major projects progress past peak development activity. Changes in the timelines of current major projects and/or the number of major projects could alter the current forecast significantly.

Special Insert: Labour Markets

Provincial labour markets have exhibited considerable strength and resiliency following the global recession. Even though employment fell in the year following the start of the global economic contraction, employment growth resumed in 2010 and continued into 2011 and 2012 (see chart). Most labour market indicators posted significant improvement over the five year period from 2007 to 2012 and, by 2012 many indicators (e.g. employment, participation rate, wage rates) reached the highest levels ever recorded in the province.

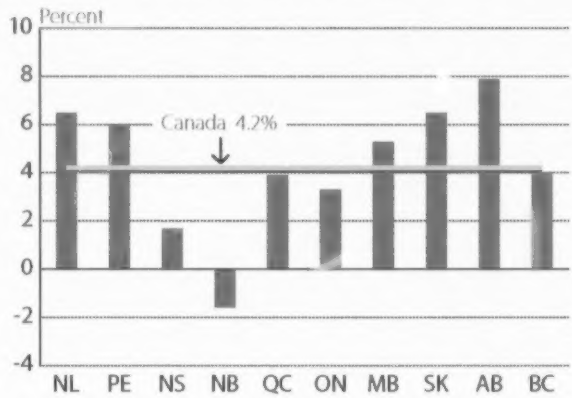
Provincial Employment



Source: Statistics Canada

Employment grew by 6.5% or 14,000 over the last five years. The province performed better than all provinces with the exception of Alberta (7.9%) and Saskatchewan (also at 6.5%). The performance was also well ahead of the 4.2% growth posted nationally over the period (see chart). Last year was particularly strong for provincial employment. In 2012, employment averaged 230,500 person years, the highest level recorded. In the same year, the provincial employment rate of 53.9% was the highest rate ever recorded.

Employment Growth, 2007-2012



Source: Statistics Canada; Department of Finance

Employment growth over the last five years was concentrated in full-time employment, accrued mainly to older workers and to both males and females. Full-time employment grew by 13,300 or 7.2% while part-time employment increased by 700 or 2.3%. The largest employment gain by far was experienced by workers 55 years of age and older, rising by 13,000 and offsetting losses in some younger age groups. Employment growth for females (7.1%) was slightly stronger than for males (5.9%) over the last five years.

The service producing sector accounted for the majority (12,000) of the employment gains since 2007. Notable increases occurred in the public sector (health care and social assistance, education and public administration); finance, insurance and real estate; professional, scientific and technical services (e.g. engineering and computer design); and other services (e.g. motor vehicle repair, hair care services).

Employment in the goods producing sector grew modestly over the period (2,100). Employment in fish harvesting and manufacturing declined—the decline in manufacturing employment reflected

the closure of the Grand Falls-Windsor newsprint mill in 2009 and continued consolidation in the fish processing industry. Declines in these industries were more than offset by higher employment in mining, oil and gas extraction, utilities and construction due, in part, to continued natural resource development.

Employment gains in the province have accrued to those with post-secondary education and higher. Since 2007, the number of persons employed with a post-secondary certificate or diploma rose by 21,900. This is consistent with the educational requirements in many of the industries reporting employment growth over the period. On the other hand, the number of those employed with a high school certificate or lower dropped by 8,000 between 2007 and 2012.

Job growth leaned strongly towards higher paying jobs. Employment in jobs paying $20 per hour or more increased by 39,600 employees, up by 62.8%. Those earning less than $20 per hour saw employment fall sharply, down by 26,200 (20.2%). This is consistent with increases in high wage employment from major projects and the associated spin-off activity throughout the province.

Regionally, the employment gains over the last five years accrued to the Avalon Peninsula, in particular the St. John's Census Metropolitan Area (CMA). The CMA is the largest urban area in the province and accounts for almost half of provincial employment. The solid performance within the CMA was also reflected in the unemployment rate. The 2012 unemployment rate in the CMA was 7.2%, the same as the national unemployment rate, and lower than large urban centres such as Toronto and Montreal.

Rising wages have also provided evidence of a solid labour market. Between 2007 and 2012, average weekly earnings in the province increased by 26.1% (13.1% in real terms). In 2012, weekly earnings totaled $928, second only to Alberta and 3.5% above the Canadian average.

Labour market participation rates have risen considerably over the five year period, reflecting optimism about potential employment. The labour force participation rate in the province in 2012 was 61.6%, the highest on record. The province experienced a 2.6 percentage point increase in its participation rate from 2007 to 2012, outpacing Canada and other provinces. Gains in the participation rate have resulted in an increase in the number of people in the labour force. The labour force (those either working or looking for work) increased by 5.2% or 13,000 from 2007 to 2012.

Even with solid gains in the labour force, the unemployment rate declined over the period. In 2012, the province's unemployment rate was 12.5%, the lowest annual rate since 1973.

Without exception, all labour market indicators have shown significant improvement over the last five years and this trend has continued thus far into 2013 (see *Provincial Economic Overview*).

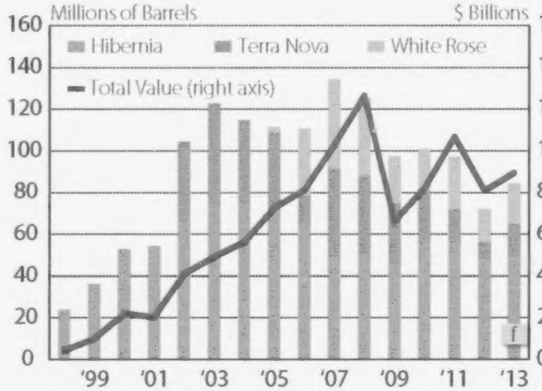
Oil and Gas

Oil Production

Oil and gas is the province's largest industry in terms of its contribution to the province's GDP. It is estimated that oil and gas and support activities contributed $9.0 billion to nominal GDP in 2012, representing 28.2% of total provincial GDP. In 2012, direct employment in the oil and gas extraction industry (including support activities) was 6,900 person years. Including spin-offs, employment linked to oil and gas accounts for about 6-7% of total provincial employment. In addition to its economic benefits, the oil and gas industry makes a substantial fiscal contribution to the provincial treasury. In 2012-13, offshore oil royalties accounted for approximately 26% of provincial revenues. Between first oil in November 1997 and March 2013, oil royalties contributed roughly $14.7 billion to the provincial treasury. All three producing oil projects in the province have experienced considerable increases in recoverable oil estimates compared to when the developments were initially proposed.

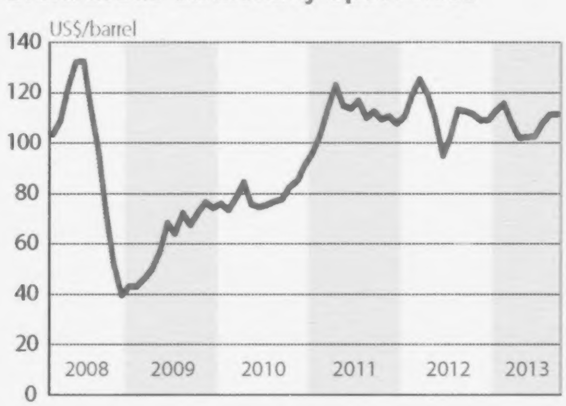
Oil production from the province's three producing projects is expected to increase to 84.5 million barrels from 72.2 million in 2012, representing growth of 17% (see chart). This increase reflects a return to more normal production levels following a period of extended maintenance downtime in 2012. During the January to September period of this year, total oil production was 65.1 million barrels, representing a 24.0% (12.6 million barrel) increase relative to the same period in 2012. The value of oil production is expected to increase 15.3% to $9.4 billion in 2013 as a result of higher production volumes. The increase will be tempered by lower crude oil prices. The price of Brent crude oil, a benchmark for Newfoundland and Labrador oil, is expected to average around US$108.15/barrel in 2013, compared to US$111.63/barrel in 2012 (see chart).

Offshore Oil Production



f: forecast
Source: Canada-Newfoundland and Labrador Offshore Petroleum Board; Department of Finance

Brent Crude Oil Monthly Spot Prices



Source: U.S. Energy Information Administration

Hibernia

Hibernia, located in the Jeanne d'Arc Basin 315 kilometres (km) southeast of St. John's, was the first offshore oil project to be developed in Newfoundland and Labrador. Hibernia production occurs by means of a stand-alone concrete gravity based structure (GBS). When it was initially proposed for development, the project proponents estimated that Hibernia contained 520 million barrels of recoverable oil. Since that time this estimate, including the Hibernia South Extension (HSE), has increased to 1,395 million barrels, making Hibernia the largest offshore project in the province and among the largest oil fields ever discovered in Canada. Approximately 530 million barrels, or roughly 38% of estimated reserves/resources, were remaining as of September 30, 2013.[4]

Over the past few years, Hibernia production has expanded into two areas south of the main field: the AA Blocks and the HSE Unit, which together make up the Hibernia South Extension. Production from the AA Blocks and the HSE Unit started in November 2009 and June 2011, respectively. The HSE Unit and AA Blocks have combined estimated recoverable reserves/ resources of 215 million barrels and are expected to extend the life of the Hibernia project by five to 10 years. The province, through Nalcor Energy, has a 10% equity stake in the HSE Unit.

Through the first nine months of 2013, total Hibernia production (including the Hibernia South Extension) totalled 37.4 million barrels, up 8.7% (or 3.0 million barrels) from the same period in 2012. For 2013 as a whole, Hibernia production is expected to increase by 2.4 million barrels (5%) to 50.2 million barrels, with 5.2 million barrels coming from the Hibernia South Extension.

Terra Nova

The Terra Nova field was the second offshore oil discovery in the province to reach production, with first oil in January 2002. Terra Nova, just southeast of the Hibernia field in the Jeanne d'Arc Basin, is operated by Suncor Energy Inc. using a floating production, storage and offloading vessel (*Terra Nova FPSO*).

From mid-June to early-December of 2012, the *Terra Nova FPSO* was removed from service for an extended maintenance program. The shutdown saw the vessel travel to Marystown for repairs, primarily to replace the water injection swivel. During the downtime, subsea maintenance work was also carried out at the field, including replacement of the flowlines and risers. These upgrades and recent increases in reserve estimates have allowed the field life to be extended by seven years to 2027.

In May 2013, a routine inspection of the Terra Nova facility revealed that one of FPSO's nine mooring chains was damaged. As a result, Suncor extended this year's previously planned four-week maintenance program to 11 weeks in order to repair the damaged chain and perform preventive maintenance on the remaining eight mooring chains. This maintenance program began in late September.

In April 2013, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) increased Terra Nova's estimated reserves/resources from 505 million barrels to 592.4 million

4 Reserves are considered to be recoverable using current technology and under present and anticipated economic conditions. Resources are assessed to be technically recoverable but have not been delineated and have unknown economic viability.

barrels. When it was initially proposed for development, the project proponents estimated that the Terra Nova field contained 400 million barrels of recoverable oil.

Terra Nova produced 12.4 million barrels of oil during the first nine months of 2013, an increase of 4.5 million barrels (or 56.4%) over the same period in 2012. For the year as a whole, Terra Nova is expected to produce 12.9 million barrels, which would represent a 4.4 million barrel (52%) increase over 2012. Approximately 244 million barrels, or roughly 41% of estimated reserves/resources were remaining as of September 30, 2013.

White Rose (including North Amethyst)

The White Rose project, operated by Husky Energy Inc., is the province's most recent offshore oil development to be brought into production. First oil from the South Avalon Pool occurred in November 2005 and first oil from North Amethyst occurred in May 2010. Production from White Rose and its extension areas occurs by means of the *SeaRose FPSO*. When initially proposed for development, the project proponents estimated that the White Rose field contained 230 million barrels. The estimated reserves/resources for the entire White Rose project are currently 379.8 million barrels. Approximately 167 million barrels, or 44% of estimated reserves/resources were remaining as of September 30, 2013. The province, through Nalcor Energy, has a 5% equity stake in the White Rose Extension Project.

Through the first nine months of this year, the White Rose project, including North Amethyst, produced 15.2 million barrels, up 5.1 million barrels (or 51.1%) from the same period of 2012. The production increase reflects a rebound from depressed levels in 2012 due to a 102-day maintenance shutdown. Annual production for 2013 is expected to total 21.3 million barrels, up 34% from 15.9 million barrels in 2012.

On June 5, 2013, the C-NLOPB announced its approval of a White Rose Development Plan amendment incorporating the South White Rose Extension (SWRX). The SWRX pools, which are estimated to contain approximately 33 million barrels of recoverable oil, will be developed via a subsea tieback to the *SeaRose FPSO*.

On October 10, 2013, the province and Husky Energy jointly announced that they had reached an agreement to advance the development of the White Rose Extension Project. The agreement will allow for the development of West White Rose using a wellhead platform, instead of the subsea development originally planned. The wellhead platform will have a concrete gravity structure and topsides which will be tied-back to the *SeaRose FPSO*. The wellhead platform will be similar to the Hibernia GBS, but smaller with topsides of about 20% of the tonnage at Hibernia. The platform is expected to deliver an estimated 115 million barrels of oil over the life of the project.

Development of the White Rose Extension Project, beyond the areas with current regulatory approval, is projected to return $3 billion to the province in royalties, corporate income tax and return on investment through Nalcor Energy. Employment benefits will also be significantly enhanced compared to the original subsea concept. Work in the province includes: project and procurement management; engineering and construction of the graving dock complete with gates; construction of the concrete gravity based structure and accommodations modules; and fabrication of the flare boom, heli-deck and lifeboat stations. A total of 12,000 person years of employment is expected to be created over the project's lifespan. This includes approximately 250 new long-term platform positions in addition to the employment during the construction

period. The development phase of the project is expected to generate 2,800 person years of employment in the province.

The White Rose Extension Project is a partnership between Husky Energy (68.875%), Suncor Energy Inc. (26.125%) and Nalcor Energy (5.0%). A final investment decision is contingent on regulatory and partner approvals.

Hebron


Hebron GBS under construction at Bull Arm

The Hebron field was discovered in 1981 and is estimated to contain in excess of 700 million barrels of recoverable oil, making it the second largest oil field in the province after Hibernia. Hebron is located just nine kilometres northwest of Terra Nova in the Jeanne d'Arc Basin in a water depth of approximately 92 metres. The Hebron project received official sanction on December 31, 2012, becoming the province's fourth stand-alone offshore oil project.

The Hebron field will be developed using a concrete gravity based structure similar to, but on a smaller scale, than Hibernia. The Hebron GBS, the second of its type to be built in the province, is currently under construction at Bull Arm. It is designed to withstand sea ice, icebergs and harsh environment conditions. The GBS will support an integrated topsides deck that includes living quarters and facilities to perform drilling and production operations. In addition to the GBS itself, two of the four topsides modules are also being built in the province—the accommodations module is being fabricated at Bull Arm and other private fabrication facilities in the province, and the drilling support module is being fabricated in Marystown.

The province, through Nalcor Energy, holds a 4.9% equity stake in the Hebron project. ExxonMobil Canada Properties (36.0%), Chevron Canada Resources (26.7%), Suncor Energy Inc. (22.7%) and Statoil Canada Ltd. (9.7%) make up the remaining Hebron consortium participants. ExxonMobil is the operator. The capital cost is estimated at $14 billion and first oil is expected towards the end of 2017. As of September 30, 2013, the Hebron project employed 4,977 people in the province of which 4,411, or 88.6%, were residents of Newfoundland and Labrador.

Exploration

The province's offshore is a vast territory and to date most of the exploration has been concentrated in the Jeanne d'Arc Basin. It is expected that more exploration will occur over the next several years in other offshore basins. In 2013, exploration activity was robust with considerable seismic work conducted and several offshore exploration wells drilled. This activity resulted in two discovery announcements.

Statoil recently announced two new discoveries in the deep water (approximately 1,100 metres) Flemish Pass Basin. The Harpoon discovery (whose resource potential is still under evaluation) was announced this past June and the Bay du Nord discovery (estimated to contain between 300 and 600 million barrels of recoverable oil) was announced in August. These new discoveries are in close proximity to the 2009 Mizzen discovery which is estimated to contain 100-200 million barrels of recoverable oil. Statoil holds a 65% interest in the Mizzen, Harpoon and Bay du Nord fields and Husky Energy holds the remaining 35% interest. The Flemish Pass is a large frontier area which has yet to be extensively explored and these recent discoveries could be indicative of its potential. Further exploration in the area will involve new seismic surveys as well as additional exploration and appraisal drilling.

In late September, Husky announced that hydrocarbons were discovered in a near-field step-out well at Northwest White Rose. The well is currently being sidetracked to further determine the hydrocarbon potential in the area. Husky Energy also has several drill-ready exploration and delineation prospects, including the Aster prospect in the Flemish Pass Basin, and will be further exploring those prospects later this year. As well. Chevron is currently drilling the Margaree A-49 exploration well in the deep water Orphan Basin.

In the Western Newfoundland and Labrador Offshore Region, several onshore-to-offshore wells targeting the Green Point formation are planned. In addition, Corridor Resources and Ptarmigan Energy continue to pursue other offshore prospects.

In early November, the Provincial Government announced that it will not consider drilling applications which propose hydraulic fracturing until the technical work needed to assess its geological impacts are completed, including a full review of regulations, rules and guidelines in other jurisdictions.

There has been significant seismic acquisition in 2013. In September, ExxonMobil completed a 3D/4D seismic survey which acquired 582 square km^2 of data in the Hebron area. In October, Multi Klient Invest completed a 2,939 line km survey on the Labrador shelf and as of November 4, 2013, it had acquired 14,053 line km of 2D seismic data (of a planned 16,701 km survey) on the northeast NL slope. Also as of November 4, 2013, GXT Technology had acquired 6,575 line km of 2D seismic data (of a planned 9,960 km survey) on the Labrador shelf.

On May 16, the C-NLOPB announced the 2013 Calls for Bids in three offshore areas. The Calls consist of one parcel in the Flemish Pass, four parcels in the Carson Basin and four parcels in the Western Newfoundland and Labrador Offshore Region. The closing date for each Call will be 120 days after the completion of the relevant Strategic Environmental Assessments (SEA) which have yet to be completed.

Exploration activity continued onshore during 2013. Investcan Energy Corporation has plans for a four-well appraisal pilot project in the Flat Bay area. The first appraisal well was drilled in late 2012 and re-entered this year to perform an acid stimulation. Further evaluation of this well is planned before any decision to proceed with the pilot project is made. Investcan also re-entered and deepened an existing well in the area this past summer and the data from the well is currently being evaluated. Black Spruce Exploration has announced memorandums of understanding with Enegi and Deer Lake Oil and Gas to farm-in on the Garden Hill South Production lease lands and Deer Lake's exploration permit lands. BSE is continuing with plans to mobilize a drill rig to the area.

Mining

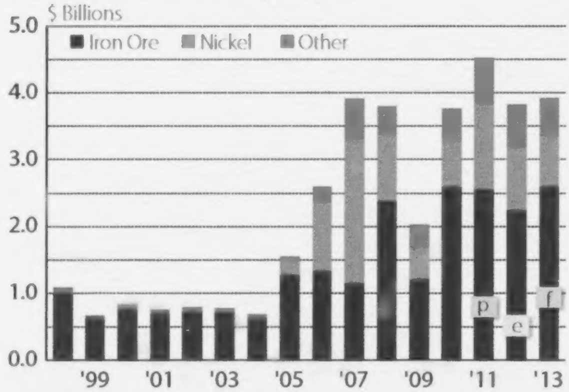
The provincial mining industry continued to perform well in 2013. The value of provincial mineral shipments is expected to rise to the second highest level ever recorded. Several mining projects continued to advance and mineral exploration remained high. Prices for iron ore were volatile, but relatively strong for much of the year, while nickel prices declined.

The value of mineral shipments is expected to total approximately $3.9 billion in 2013. If realized, this would represent an increase of about 3% from 2012 (see chart). The increase reflects higher production of iron ore. Total mining-related employment (including employment associated with construction and development activities at Vale's nickel processing facility) is expected to be about 11,500 person years in 2013, the highest level on record.

Market Conditions

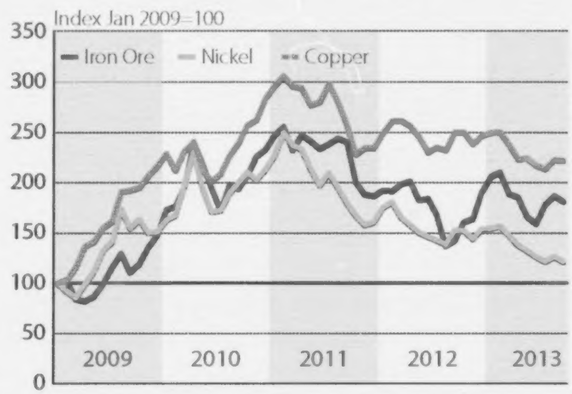
Mineral prices were volatile throughout much of 2013 due to global economic uncertainty. Iron ore spot prices averaged about US$135/tonne for the first three quarters of 2013—about 5% higher than the same period in 2012 (see chart). Nickel and copper prices were consistently lower in 2013. Nickel prices averaged US$6.98/pound in the first three quarters, a decline of more than 13% compared to the same period last year, while copper prices averaged US$3.35/pound, falling about 7%.

Value of Mineral Shipments



p: preliminary; e: estimate; f: forecast
Source: Department of Natural Resources; Natural Resources Canada

Mineral Price Indices (Monthly)



Source: London Metal Exchange, MetalPrices.com

Iron Ore

Total iron ore shipments are expected to reach approximately 21 million tonnes in 2013, representing an increase of about 14% relative to 2012. The anticipated rise is mainly due to higher production at the Iron Ore Company of Canada (IOC), but also as a result of increased production from Tata Steel Minerals Canada Ltd. The value of shipments is expected to rise about 16% this year as a result of higher production and prices.

Iron Ore Company of Canada

Total shipments from IOC are expected to increase from about 14 million tonnes in 2012 to about 16 million tonnes in 2013 as a result of the implementation of Phase 1 of its Concentrate Expansion Project (CEP). Phase 1, which includes a new crusher and conveyor at the Luce pit, was operational as of August 2012 and increased the iron concentrate production capacity at IOC from 18.0 million tonnes per year to 22.0 million tonnes per year. CEP 2 is intended to further expand capacity from 22.0 to 23.3 million tonnes and is expected to be operational in the second quarter of 2014. Plans to increase production capacity to as much as 50 million tonnes are on hold. The mine currently employs about 2,000 people.

Wabush Mines

Wabush Mines produces iron ore for a concentrating plant at the mine site in Labrador. Wabush Mines is 100% owned and operated by Cliffs Natural Resources Inc. The operation is expected to produce about three million tonnes of iron ore concentrate in 2013, relatively unchanged from the previous year, and employ about 480 people. Until recently, the concentrate was railed to the company's pellet plant and shipping facilities in Point Noire, Quebec. However, Cliffs idled its pellet plant at the end of the second quarter of 2013 citing high production costs and lower pellet premium pricing.

Labrador Iron Mines Ltd.

Labrador Iron Mines Ltd. (LIM) began operations in April 2011 and shipped its first iron ore to China the following October. The company was the first new iron ore producer in the province since 1965 when Wabush Mines started producing. The company mines and processes lump and sinter iron ore in northwestern Labrador. From January to September of this year, the project sold 1.05 million wet tonnes of product and is targeting a total of 1.7 million tonnes for 2013.

LIM's project is divided into five stages, in which each stage contains a number of deposits. Currently, the company is mining ore from its Stage 1 deposits which include the James and Redmond mines and is evaluating potential partnerships to fund development expenditures for Stage 2. As part of Stage 3, the company announced in September that it had completed an agreement with Tata Steel Minerals Canada Ltd. for the exploration and development of LIM's Howse Deposit. LIM sold a 51% interest in the Howse Property for a cash consideration of $30 million. As part of the agreement, LIM is conducting a $5 million exploration project during 2013 with the objective of confirming resources. Current plans for Stage 3 are to complete a feasibility study by July 2014, commence mine development in 2015, and begin production in 2016.

Tata Steel Minerals Canada Ltd.

Tata Steel Minerals Canada Ltd.'s (TSMC) Elross Lake project is a joint-venture owned by Tata Steel of India and New Millennium Iron Corp. The first load of iron ore from the project was shipped in September 2013. Shipments of one million tonnes are expected by year's end. The project's year-round processing plant and associated railway spur is expected to be operational in the first quarter of 2014 which will enable shipments to ramp up to three million tonnes for that year and over four million by 2015. The project (both production and continued development) is expected to create employment of 500 person years in 2013 and about 250 person years once fully operational.

Voisey's Bay

Production at Vale Newfoundland and Labrador's (VNL) operations at Voisey's Bay, Labrador is expected to decrease in 2013. The company plans to ship over $1.0 billion of metal concentrates in 2013, down about 19% compared to 2012, mainly due to lower nickel production and prices. According to company reports, production of nickel, copper and cobalt was about 74,000 tonnes in the first nine months of 2013—up 3% from the same period in 2012.

In March 2013, the Provincial Government announced that it had secured a commitment to an underground mine at Voisey's Bay as part of amendments to the Voisey's Bay Development Agreement. The amendments were necessary due to construction delays at Long Harbour. The amended agreement provides VNL with the necessary time to complete the nickel processing plant and an additional concentrate exemption to ensure continuity of operations at Voisey's Bay. The commitment to an underground mine is underpinned by financial and other assurances. Engineering for the mine began in the first quarter of 2013 and construction of the mine is anticipated to begin in 2016. The mine is projected to start producing ore in 2019 and will generate additional employment and industrial benefits to the province.

The company announced that the construction of Phase I for the nickel processing facility in Long Harbour was completed by October 2013. The construction schedule was modified to permit a partial commissioning of the plant by focusing on components required to process a low impurity matte feed shipped into the province from Indonesia. While operating with the matte feed, construction will continue throughout 2014 and into 2015 to integrate the remaining components required to process Voisey's Bay concentrate. There were about 5,400 people working at the site in September but this has declined sharply due to the completion of Phase I construction. Employment estimates at the plant during the operational stage are 475 people. The total capital cost for the plant is estimated at US$4.25 billion and budgeted capital expenditures for 2013 are approximately US$1.1 billion.

Other Mines

Rambler Metals and Mining Canada Ltd. (RMM) mines and processes ore from its copper-gold Ming Mine on the Baie Verte Peninsula. RMM commenced commercial production in November 2012 and had shipped 26,000 tonnes of copper concentrate as of October 2013. The company is pursuing other potential projects near the Baie Verte area as well as conducting further exploration at its Ming Mine. Employment at the site is currently about 150 person years. The project is expected to process about 630 tonnes of ore per day and have a mine life of six years.

Anaconda Mining Inc. began gold production in 2008 at its Pine Cove mine near Baie Verte. The company has overcome significant problems in initial mill functioning and annual production is expected to be about 16,000 ounces of gold. Employment at the project is approximately 70 person years annually and the expected mine life is about seven years.

The Teck Duck Pond copper-zinc mine is located in central Newfoundland. For the first three quarters of 2013, copper and zinc production were 10,300 tonnes and 9,500 tonnes, respectively. This compares with copper and zinc production of 10,600 tonnes and 15,300 tonnes in the same period of 2012. The operation employs approximately 330 people annually. Teck Duck Pond operations are currently scheduled to end mining in early 2015, however, the ongoing exploration program may extend the life of the mine.

Other mines in the province, such as Atlantic Minerals (limestone/dolomite) and Newfoundland Pyrophyllite (pyrophyllite), expanded their production in 2013.

New Developments

Mineral development activity continued to be robust in Newfoundland and Labrador in 2013, mainly as a result of a strong iron ore market.

Alderon is advancing the Kamistiatusset (Kami) iron ore project located in western Labrador near Labrador City and Wabush. The company has raised about $230 million in financing and has awarded the engineering and procurement contract for the project. Alderon expects the project to be released from environmental assessment in the fourth quarter of 2013. Capital costs are expected to be about $1.3 billion with the majority of construction taking place in 2014 and 2015. Operations are anticipated to begin in 2016 with shipments of six to seven million tonnes. Once fully operational, the project is expected to ship about eight million tonnes per year and employ 380 people annually.

New Millennium Iron Corp. and Tata Steel announced in March 2011 that a feasibility study had begun for the venture's two taconite deposits in Labrador and Quebec. The study was initially anticipated to take between 18-21 months, but has not yet been released. Previous studies, published in 2006 and 2009, estimated annual production at both deposits at 22 million tonnes.

Labec Century Iron Ore Inc. (Labec) registered the Joyce Lake iron ore property for environmental assessment in October 2012. The Joyce Lake property is part of the larger Attikamagen project that straddles the Newfoundland and Labrador/Quebec border about 20 km northeast of Schefferville. The project could produce up to 12 million tonnes of direct shipping iron ore over a mine life of about six years. About 75 construction jobs and up to 265 operating positions could be created.

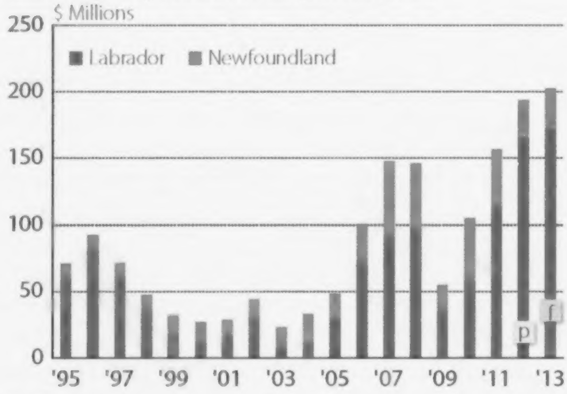
Newspar continues its efforts to reactivate the underground fluorspar mine located at St. Lawrence on the Burin Peninsula. The company is an equal partnership between Canada Fluorspar Inc. (CFI) and Arkema (a multinational French chemical company). Newspar plans to develop two deposits, complete upgrades to the existing mill, and construct a tailings management facility and new marine terminal. In January 2013, CFI announced the results of a new Preliminary Feasibility Study which estimates annual production of 131,000 tonnes and a mine life of 14 years. Pre-production capital costs are estimated at about $154 million and total capital costs of the life of the mine are $226 million. Operating costs have increased from $208/tonne in the original feasibility study to $231/tonne.

Exploration

Exploration expenditures are currently forecast to reach about $203 million in 2013, up from $194 million in 2012 and historically high (see chart). It is anticipated that expenditures will be revised downward from the current forecast as activity to date has not been as strong as expected. The major commodities of interest are iron ore, copper and gold. Iron ore exploration is forecast at an all-time high of $150 million, representing about 74% of all exploration expenditures for the province in 2013. There was also renewed interest in uranium—expenditures for this commodity are projected to be roughly $7 million in 2013. In March 2012, the Nunatsiavut Government officially lifted a three-year moratorium on uranium mining on Labrador Inuit Lands, which should bode well for future exploration.

In October 2012, the Provincial Government announced a Call for Expressions of Interest to seek proposals for the development of the publicly-owned Julienne Lake iron ore deposit in western Labrador. The province conducted a $2.6 million exploration program on the deposit over the last few years. The results of the exploration define a world-class resource consisting of over one billion tonnes of iron ore with at least 33% iron content, which should make the project attractive to companies in the global mining community. The Provincial Government received detailed development proposals for the deposit from industry and expects to award conditional mineral rights to the successful party in 2013/2014.

Mineral Exploration Expenditures



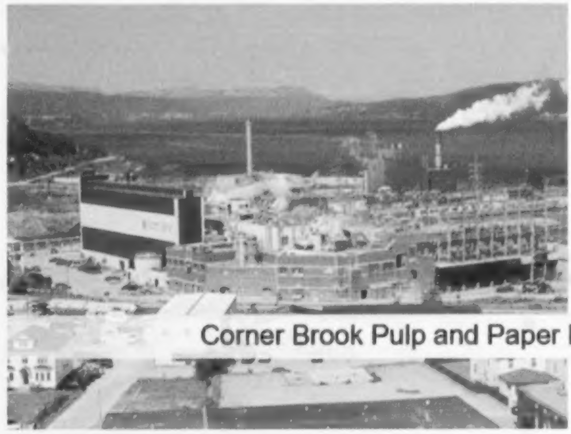
p: preliminary; f: forecast
Source: Department of Natural Resources

Forestry

Newsprint

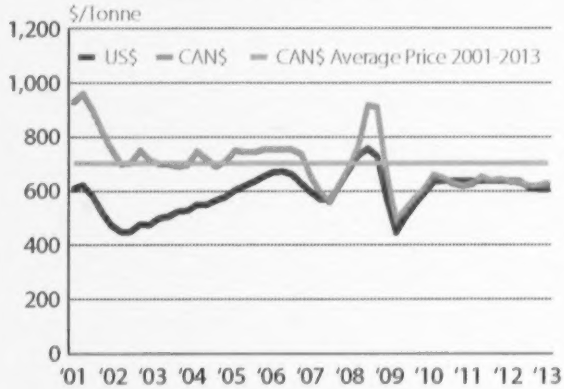
North American Industry

North American newsprint producers continued to experience weak market conditions in 2013. Newsprint shipments declined 4.6% during the first eight months of this year compared to the same period in 2012, primarily due to lower demand in the United States. Shipments outside North America were up 9.8% over the period. However, these markets (which include Latin America, Western Europe and Asia) only account for about one-third of all North American shipments, and therefore, gains made in these regions could not offset the decline in the United States.



Corner Brook Pulp and Paper Limited

North American Newsprint Prices



Source: TD Financial Group; Bank of Canada; Department of Finance

Newsprint markets continue to be challenged by the growing popularity of electronic media. North American newsprint demand last year was about five million tonnes, down from 13 million tonnes in 2000. The industry had managed to keep prices relatively stable at around US$640/tonne in 2011 and 2012 (see chart) by limiting supply. However, this tactic faltered this year and the price of newsprint has dipped to around US$600/tonne.

Provincial Industry

The newsprint industry in Newfoundland and Labrador has faced similar challenges as other North American producers. Corner Brook Pulp and Paper Limited (CBPP), a subsidiary of Kruger Industrial, operates the only remaining newsprint facility in the province. Paper shipments totalled approximately 176,000 tonnes during the first nine months of 2013, up by less than 1% from the same period last year. The estimated value of paper products decreased by about 2% over the same period due to lower prices.

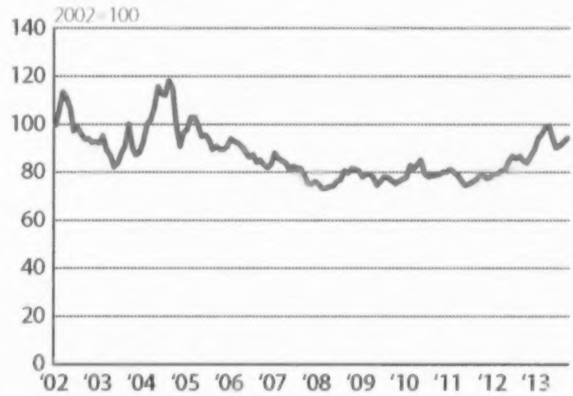
Kruger has been assessing the viability of the Corner Brook mill in conjunction with the implementation of cost-cutting measures. Recently, the company completed contract negotiations with all of the unions supplying services to the operation. Furthermore, the Provincial Government has been in extended negotiations with CBPP aimed at reaching agreement on terms and conditions for providing Provincial assistance to support the long-term sustainability of CBPP. The

sustainability of the mill is not only important to the Corner Brook region, but has implications for larger sawmill operations in the province which exchange raw material with the paper company.

Lumber and Wood Pellets

The North American lumber industry continues to make gains following several difficult years brought on by the collapse of the U.S. housing industry. After rallying in late 2012 and early 2013, lumber prices lost some ground in the spring in conjunction with softening U.S. housing construction (see chart). Nevertheless, prices are expected to rebound later this year with continued recovery in U.S. housing starts and solid demand from China. Lumber prices are expected to average US$445/ thousand board feet in 2013, up roughly 18% from 2012.

Lumber Price Index



Source: Statistics Canada

Canadian lumber production totalled 14.9 billion board feet during the first seven months of this year, up 7.4% over the same period in 2012. British Columbia accounted for about one half of this production. Canada exported 9.5 billion board feet of lumber during the January to July period, up 11.4% over the same period last year. Major global markets were the U.S. (68%), China (19%) and Japan (8%).

High transportation costs associated with importing lumber gives domestic producers a competitive advantage in Newfoundland and Labrador. In addition, relatively high levels of new housing construction in recent years has made the local market a lucrative one for lumber producers in this province. Provincial lumber production is expected to reach 80.0 million board feet in 2013, up about 3% from estimated production of 77.5 million board feet in 2012. It is estimated that the industry sells about 65% of its products in the local market with the remaining being sold in the Maritimes and the eastern seaboard of the U.S.

Two wood pellet producers are currently operating in the province: Cottles Island Lumber Co. Ltd. in Summerford and Exploits Pelletizing in Bishop's Falls. Annual production in 2013 is expected to be around 2,000 tonnes. Wood pellets are used in modern wood stoves for residential heating.

Future Development

In February 2013, the Department of Natural Resources issued a Call for Expressions of Interest (EOI) to develop some of the central Newfoundland timber resources formerly held by AbitibiBowater prior to the closure of the mill in 2009. The unallocated wood supply available for development is 280,000m^3/year. The EOI closed the end of March this year. A number of proposals were submitted and some have been asked to submit further details. A Call for EOI for development of central Labrador timber resources closed in late April this year. Review of these proposals is ongoing.

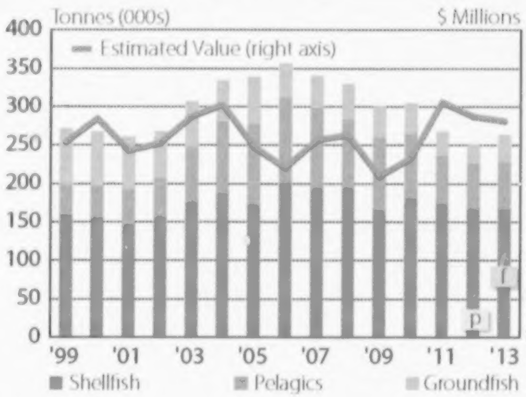
Fishery and Aquaculture

The Newfoundland and Labrador seafood industry is expected to experience another successful year in 2013. The value of total production from capture fisheries is anticipated to rise and aquaculture production and value are both projected to increase significantly. Snow crab market prices for 5-8 ounce sections remain historically high and have been increasing since May, while average market prices for 150-250 count cooked and peeled coldwater shrimp have declined.

Mussel Harvesting

The number of people employed in the fishery is expected to be down in 2013. Processing employment decreased by approximately 8% to around 8,500 workers, compared to just over 9,200 workers in 2012. There were approximately 9,230 registered harvesters in the province as of mid-November, and it is anticipated that harvesting employment will total approximately 9,560 harvesters by the end of the fiscal year, down from 10,400 in the previous year.[5]

Capture Fishery Landings



p: preliminary; f: forecast

Source: Fisheries and Oceans Canada; Department of Fisheries and Aquaculture

Harvesting

Commercial capture fisheries landings are expected to increase to approximately 264,000 tonnes this year, up 4.8% from 2012, mainly the result of higher groundfish landings (see chart). Landed value is expected to decline 1.3% to $568 million due to reductions in the raw material prices of some species.

Shellfish

Shellfish landings are forecast to remain on par with 2012, at approximately 169,000 tonnes. The corresponding landed value, however, is expected to decline 3.1% due to lower raw material prices for some species.

5 Processing employment data are from the Department of Fisheries and Aquaculture's annual employment survey and are based on the number of individuals employed during the year. The harvesting employment data are based on the number of fish harvesters registered with the Professional Fish Harvesters Certification Board. These data differ from Statistics Canada Labour Force Survey data (included in the table on page 38) which uses a person year concept of employment.

Snow crab continues to account for the largest portion of landed value (approximately 37% in 2013) in the Newfoundland and Labrador fishery. Snow crab landings remained stable at 50,800 tonnes in 2013, compared to just over 50,500 tonnes in 2012. The corresponding landed value declined 3.7% to just over $209 million. This reduction is mainly due to a lower average landed price paid to harvesters at $1.87/pound, down 4.1% from $1.95/pound in 2012.

Approximately 86,000 tonnes of shrimp are expected to be landed in 2013, about the same as last year. It is anticipated that higher offshore shrimp landings from the winter fishery will offset lower inshore and Gulf shrimp landings. The overall landed value of shrimp is expected to decline marginally to approximately $190 million. The minimum price for the spring inshore shrimp fishery, set by the Standing Fish Price Setting Panel, was $0.65/pound in 2013, down from $0.76/pound in 2012.

Groundfish

Groundfish landings are expected to increase 35.4% to 34,700 tonnes in 2013, mainly the result of higher landings of yellowtail flounder and redfish. Higher landings of these two species are attributed to increased fishing effort resulting from an agreement in December 2012 between the province and Ocean Choice International L.P. Incorporated (OCI). Under the agreement, OCI holds a larger exemption on minimum processing requirements for yellowtail flounder and redfish, allowing the company to export more fish in whole, frozen form. Yellowtail flounder landings have increased fivefold thus far in 2013, while redfish landings have nearly doubled. The increase in landed value is expected to be less pronounced due to a global decline in groundfish prices. The value of groundfish landings is projected to increase 4.0% to over $82 million this year, compared to just over $79 million in 2012.

Pelagics

Pelagic landings are expected to increase 2.8% to approximately 60,300 tonnes in 2013, reflecting significantly higher mackerel landings. Mackerel landings are forecast to nearly double to 5,000 tonnes, up from 2,545 tonnes in 2012. Herring landings are projected to marginally exceed the 2012 level at approximately 25,000 tonnes. The capelin fishery, which has ended for the season, recorded slightly lower landings, totalling 30,070 tonnes. The overall landed value of pelagics is forecast to increase 18.5% to $19.6 million this year, mainly due to higher herring prices.

Seals

In 2013, the Government of Newfoundland and Labrador supported the seal sector through a $3.6 million repayable loan to Carino Processing Limited for the purchase of raw material. The number of seals harvested increased 31.7% to 88,967 due to an increase in harvesting effort, while the corresponding landed value increased 56.7% to $2.6 million. This came on the heels of a poor year in 2012, stemming from difficult harvesting conditions and lacklustre markets. The average landed price in 2013 was $28.96/pelt, up 27.1% from $22.79/pelt in 2012.

Processing and Marketing

Seafood production during the January to September 2013 period totalled approximately 125,000 tonnes, up 2.2% from the same period in 2012. There were 90 active seafood facilities in the province in 2013, down from 101 in 2012. Of these, 78 were primary processing facilities (including

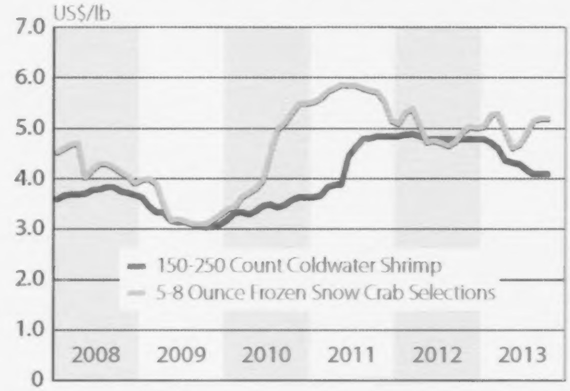
aquaculture). The remaining 12 were involved in either secondary processing or retail (i.e. retail businesses with a licence to process fish for the local market only).

Global demand for seafood has remained strong in 2013, as consumers are continually attracted by the health benefits of seafood consumption. This trend is expected to remain an influence on markets, putting upward pressure on prices for some species and also encouraging new supply, especially for farmed products.

From January to September of this year, the province exported an estimated 114,000 tonnes of seafood products, valued at approximately $694 million. Both volume and value have changed little when compared to the same period in 2012. The United States is the largest market accounting for 42.5% of seafood exports, while China accounts for 20.2%. Other major markets include the United Kingdom (6.1%), Vietnam (5.1%), Russia (4.8%) and Denmark (4.5%).

Snow crab exports account for the highest value of all Newfoundland and Labrador seafood exports. The total export value for snow crab was $344 million in the January to September 2013 period. This represents an increase of 5.6% from $325 million recorded in the same period of 2012. Year-to-date average market prices for snow crab are slightly higher than they were in 2012, and monthly prices have been increasing since May. The average market price for 5-8 ounce sections was US$5.01/pound from January to October 2013, up 2.0% from US$4.91/pound for the same period of 2012 (see chart). The United States continued to be Newfoundland and Labrador's largest importer of snow crab, accounting for approximately 69% of snow crab export value between January and September. China was again the second largest importer with about 24% of export value. Furthermore, China remains a major reprocessing destination for snow crab, with finished products ultimately being exported to Japan and other markets such as the United States and Europe. In April 2013, the Newfoundland and Labrador snow crab fishery obtained Marine Stewardship Council (MSC) certification.[6] This certification provides additional market opportunities and should bode well for snow crab producers in the future.

Monthly Shrimp and Crab Market Prices



Note: Urner Barry Publications price data were unquoted for several months. These data were estimated by the Department of Finance.

Source: Urner Barry Publications Inc.; Department of Fisheries and Aquaculture

The value of shrimp exports decreased in 2013 on a year-to-date basis. In the January to September period, shrimp exports were valued at $183 million, down 1.9% compared to $187 million in the same period of 2012. Year-to-date average market prices for cooked and peeled shrimp have declined in 2013. The market price for 150-250 count averaged US$5.09/pound in the January to October period, down 4.0% from the same period of 2012, while the market price for 250-350 count averaged US$4.37/pound, down 9.5%. Global market prices declined in the beginning of 2013, but are expected to remain stable in the short term.

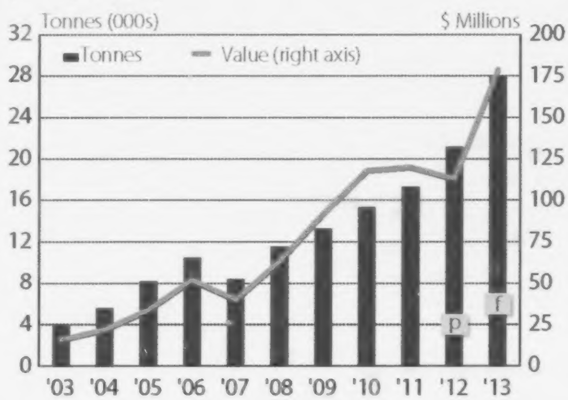
6 The Marine Stewardship Council is the world's leading certification and ecolabelling program for sustainable seafood. MSC certification assures buyers that seafood they buy has come from a fishery that has been independently confirmed as well managed and sustainable.

Two major announcements recently made by the Provincial Government will have implications for the fishery. Firstly, in October, it was announced that Canada had reached an agreement in principle with the EU on a Comprehensive Economic and Trade Agreement (CETA). It is expected that the deal with the EU will potentially see substantial gains for Newfoundland and Labrador seafood producers, allowing tariff-free access to one of the major fish markets in the world. All seafood imports into the EU will be 100% duty-free within seven years and, more importantly, the two major species for the provincial fishery—shrimp and snow crab (sections)—will be duty-free immediately once CETA comes into effect. It is expected that the deal will be formally signed in early 2014 and officially ratified by 2015. Secondly, in late October, the creation of a $400 million Federal-Provincial fund was announced to support industry enhancements through investment in research and development, new marketing initiatives and infrastructure. The new 70-30 cost-shared fund will position the province to capitalize on unrestricted access to European seafood markets.

Aquaculture

Between 2007 and 2012, both aquaculture production and value nearly tripled in Newfoundland and Labrador. This trend is expected to continue as aquaculture production is anticipated to increase to over 28,000 tonnes in 2013, up 31.9% from 21,228 tonnes in 2012. Total market value is expected to increase to approximately $179 million, up 58.4% from $113 million last year. While the industry continues to deal with challenges stemming from recent events of infectious salmon anaemia virus, salmonid production is expected to increase, driven by higher volumes of Atlantic salmon. Atlantic salmon prices rebounded in 2013, following weak market prices in 2012. Mussel production is anticipated to remain relatively stable in comparison to 2012, while market prices have increased to levels not observed since 2009.

Aquaculture Production and Value (all species)



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Source: Department of Fisheries and Aquaculture

It is currently estimated that approximately 1,000 people are employed through hatchery, grow-out and processing activities in the aquaculture industry. Employment levels are anticipated to remain steady over the next year.

In terms of additional investment, a new wharf was officially opened in Rencontre East in October 2013 to help meet the needs of the ongoing aquaculture activity in the area. Furthermore, there are plans to construct an aquaculture-dedicated wharf in Milltown. The project is expected to go to tender in Fall 2013 and construction is anticipated to begin in 2014.

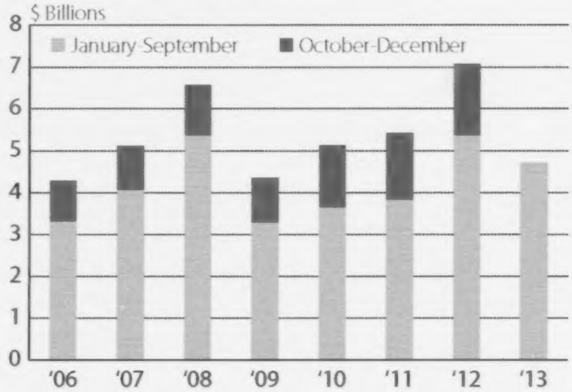
Manufacturing

Newfoundland and Labrador's manufacturing industry contributed about $1.0 billion to nominal GDP in 2012, accounting for roughly 3.0% of total provincial GDP. In 2012, manufacturing employment was approximately 11,300 person years, representing nearly 5% of total employment in the province. While there are many manufacturers in the province producing a wide variety of products, the majority of manufacturing output is concentrated in three areas: food processing (primarily fish), newsprint and refined petroleum.

Shrimp Processing

The value of provincial manufacturing shipments decreased in 2013, mainly because of reduced production of refined petroleum. Manufacturing shipments totalled about $4.7 billion in the first nine months of this year, representing a drop of approximately 12% compared to the same period in 2012 (see chart).

Manufacturing Shipments



Source: Statistics Canada

After a significant increase in 2012, the value of refined petroleum product exports from Newfoundland and Labrador was unchanged in the first nine months of 2013 relative to the same period last year. Average production at the province's only oil refinery in Come by Chance was also roughly on par with 2012. The value of sales and the volume of refined petroleum products from the refinery fell 3.7% and rose 0.3%, respectively, in the first three quarters of this year compared to the same period last year. Capital expenditures at the refinery for the first nine months of 2013 totalled US$35.1 million, including the purchase of a compressor, crude tank recertification, and turnaround planning and preparation costs. On a related note, it has been reported that the Korea National Oil Corporation, which owns Harvest Operations Corp., is looking to sell the North Atlantic refinery following operating losses of US$184.6 million in the first nine months of this year and US$706.8 million in 2012.

Fish processing continues to play a significant role in Newfoundland and Labrador's manufacturing industry. The value of seafood product exports totalled $694 million in the first nine months of 2013, little changed from the same period last year. This growth can be attributed to higher average market prices for some species and increased aquaculture production (see *Fishery*).

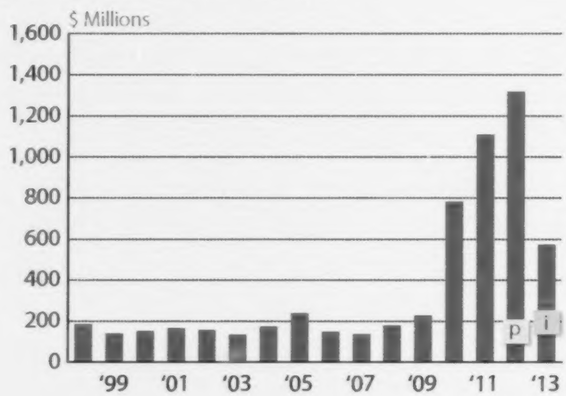
Paper product shipments from Corner Brook Pulp and Paper Limited grew modestly during the first nine months of 2013, increasing less than 1% relative to the same period in 2012. However, the value of paper product shipments decreased during the same period of time, declining about 2% compared to the first nine months of last year due to lower prices (see *Forestry*).

Employment in the manufacturing industry averaged approximately 12,200 in the first ten months of 2013—up 2.9% from the same period in 2012. Specifically, fish processing employment (according to Statistics Canada) fell by around 800 as a result of continuing consolidation in the industry, including the closure of a number of processing facilities throughout the province. Manufacturing employment excluding fish processing grew by about 1,100 due to the development of major projects in the province, particularly work related to the Hebron project (e.g. fabricated metal manufacturing).

Labour income in the manufacturing industry increased 5.0% in the first half of this year relative to the first half of last year. This growth is the result of wage gains and a change in the distribution of manufacturing employment towards higher paying jobs. Nationally, manufacturing labour income rose only 1.9% over the same time frame.

Investment in manufacturing remains high in a historical context, despite a significant drop in 2013 relative to 2012. According to Statistics Canada's data released in February 2013, capital expenditures in manufacturing were expected to total $573 million this year, representing a drop of 56.5% from last year (see chart). However, this estimate will likely be revised upwards as Vale Newfoundland and Labrador Ltd. has indicated that it will expend nearly $1.1 billion in 2013 on the nickel processing facility in Long Harbour.

Manufacturing Investment



p: preliminary; i: intentions
Source: Statistics Canada

Advancements continue to be made in other segments of Newfoundland and Labrador's manufacturing industry:

- Work on a drilling support module for the Hebron project began earlier this year at Peter Kiewit's Cow Head fabrication facility in Marystown. It has been estimated by Kiewit Offshore Services that work on the drilling support module will last roughly two years and employment could reach about 350 manufacturing jobs.
- Husky Energy will soon begin constructing a new drydock site at the former naval base in Argentia that will be used to fabricate a concrete wellhead platform for the West White Rose project. In the future, this site will have the potential to be reused for similar work and to complete emergency or refit work on offshore semi-submersible drilling rigs.
- The Port Harmon Industrial facility in Stephenville is in the process of being renovated to accommodate fabrication opportunities related to the offshore oil industry, specifically the Hebron project. The upgrades and renovations are projected to employ up to 100 individuals and require an investment of approximately $2.7-$3.0 million.

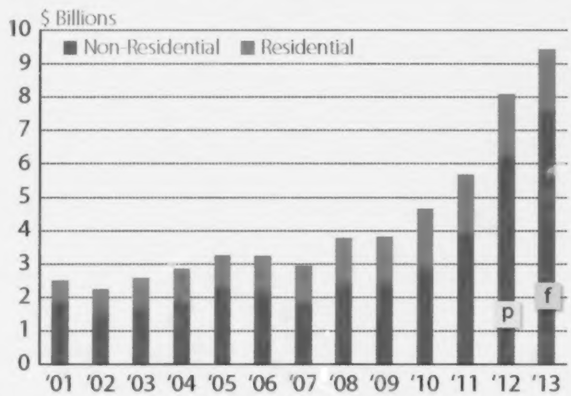
- Gander Aerospace Manufacturing Inc. is undergoing an expansion of its maintenance, repair and operations services. The expansion is expected to create up to 50 new manufacturing positions.

Construction

Newfoundland and Labrador's construction industry has experienced unprecedented levels of growth over the past six years, with record investment, employment and wage levels. Construction investment in the province is anticipated to rise to $9.5 billion in 2013, up 17.6% from 2012 (see chart). This represents the strongest growth in the country. Growth in construction expenditures is being led by the private sector which is expected to account for approximately 85% of total construction spending. Resource-based major project activity has played an important role in private sector spending. In addition, public sector investment (e.g. the Trans Labrador Highway, new student residences at Memorial University and Muskrat Falls) is expected to support growth. Construction employment and wages have both doubled since 2001 and are expected to advance to new record levels again this year.

New Student Residence, MUN

Construction Investment



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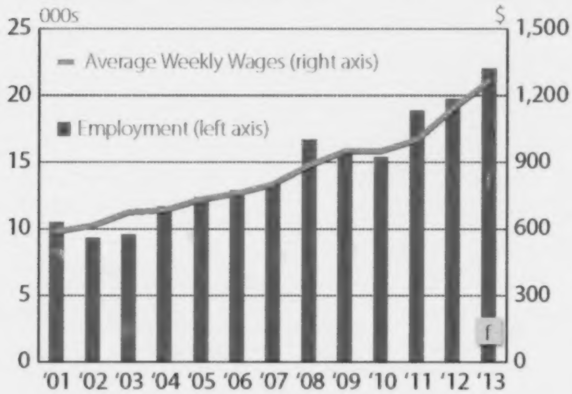
Source: Statistics Canada; Department of Finance

Expenditures

Non-residential construction investment expenditures are expected to reach $7.9 billion in 2013, up 26.5% from record levels experienced in 2012. Expenditures are heavily concentrated in the mining and oil and gas extraction industries, driven by investment in major projects. Some of the contributors to investment in mining and oil and gas this year include: expansion at current producing oil projects; preparations at Bull Arm for the Hebron development; expansion at the Iron Ore Company of Canada; and development of iron ore mines in Labrador. Investment in the utilities industry is expected to increase, reflecting the early stage ramp-up of work on the Muskrat Falls project.

Investment in residential construction remained strong over the first six months of 2013, with levels comparable to the record numbers seen in 2012. Higher expenditures on renovations (+0.6%) were offset by lower investment in new dwellings (-1.9%). The decrease in expenditures on new dwellings is consistent with the decline in housing starts this year (see *Real Estate*). Total residential construction investment is forecasted to be $1.6 billion for the year.

Construction Wages and Employment



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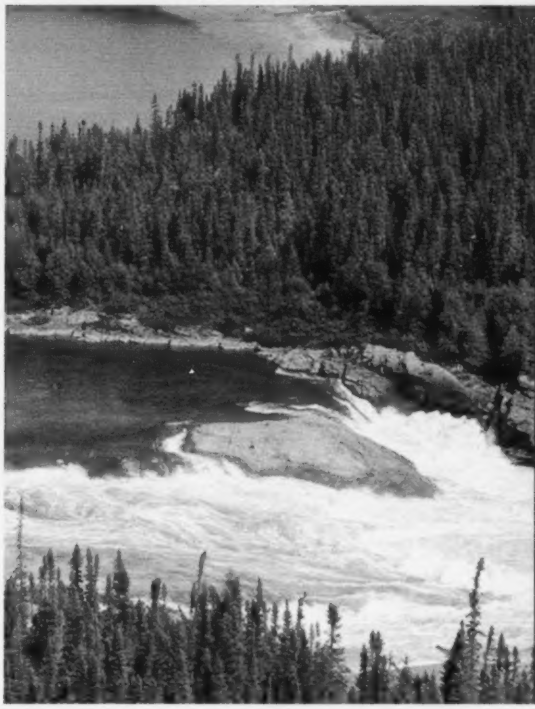
Source: Statistics Canada; Department of Finance

Employment and Wages

The surge in construction investment in the province is evident in the industry's labour market indicators. Construction wages have increased considerably over the past six years (see chart). Between 2007 and 2012 construction average weekly wages in Newfoundland and Labrador increased by 42.9%. Data on the first eight months of 2013 indicates that average weekly wages in the construction industry grew by another 10.6% over the same period in 2012, by far the highest growth recorded in the country. If this trend continues, average weekly earnings in the construction industry for Newfoundland and Labrador in 2013 will reach $1,266, the second highest among provinces after Alberta. Additionally, average employment in the construction industry increased by 11.3% over the first 10 months of 2013, reaching the highest level ever recorded in the province. Major project development significantly contributed to the strong rise in employment.

Muskrat Falls

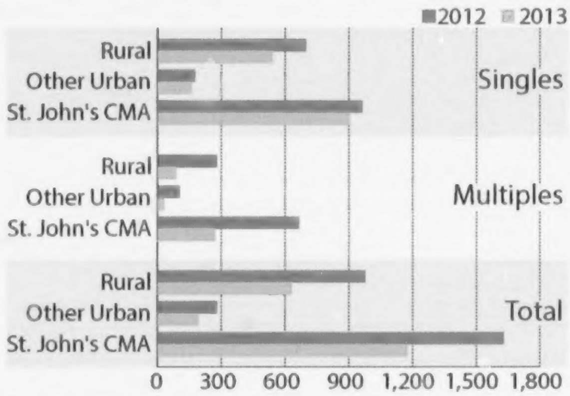


One of the largest major projects currently and a major driver of construction investment, labour income and employment in Newfoundland and Labrador is the Muskrat Falls hydroelectric development. In December of 2012, the Government of Newfoundland and Labrador officially sanctioned the development of an 824 MW hydroelectric generating facility at Muskrat Falls. The project is currently undertaking construction activities to prepare the site for the dam and generating facility as well as work to clear the way for the AC transmission lines. On October 9, 2013, Nalcor Energy announced that it had selected Astaldi Canada Inc. as the preferred contractor for the construction of the major civil works for the hydroelectric generating facility. The project employed 1,519 people in August 2013 of which approximately 76% were residents of Newfoundland and Labrador. At its development peak in 2015, the project is expected to employ roughly 3,200 people. It is expected that the project will take approximately five years to complete.

Real Estate

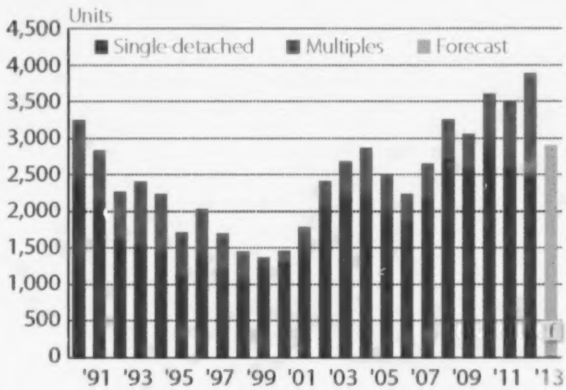
Newfoundland and Labrador's residential real estate market has been one of the hottest in the country in recent years. But similar to trends at the national level, recently there has been some slowing in particular segments of the province's housing market. Housing starts and resale activity have decreased. Rising housing prices have persisted into 2013 and this combined with more stringent regulation is slowing demand with significant declines in the multiple starts category. Meanwhile, the rental market remains challenging for renters. Vacancy rates have remained low, particularly in the St. John's Census Metropolitan Area (CMA) and the Corner Brook area, while rents have continued to rise.

Housing Starts, January - September



Source: Canada Mortgage and Housing Corporation

Housing Starts



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Source: Statistics Canada; Department of Finance

Housing Starts

Over the first three quarters of 2013, housing starts in the province totalled 2,001 units, down 30.7% compared to the same period in 2012. Starts declined in both urban and rural areas of the province (see chart)[7]. Urban housing starts were down 28.2% to 1,370 units, while rural starts fell 35.5% to 631. Urban areas account for approximately two-thirds of the province's total housing starts. Nationally, housing starts declined by 15.3% during the first nine months. Declines occurred in all provinces except Alberta.

The bulk of the decline in provincial housing starts in 2013 is attributable to a decline in multiple starts such as row, semi-detached houses, apartments and condominiums. Multiple starts fell to 390 in the first three quarters of this year, a 62.7% decline compared to 2012, while single-detached starts totalled 1,611, a decrease of 12.5% over the same period. A 48.5% drop in multiple starts in the St. John's CMA was a major contributor to lower multiple starts. The CMA is the largest housing market in the province representing about 55% of all housing starts. This significant year-over-year decline reflects the uncharacteristically high number of multiple starts in the St. John's CMA in 2012.

7 Urban refers to centres with a population of 10,000 or more. All other areas are considered rural.

Total starts are expected to reach 2,900 for the year (see chart). If realized, this would amount to a 25.4% decrease over 2012.

Residential Sales Activity and Prices

During the first nine months of 2013, residential sales activity fell in Newfoundland and Labrador, while prices continued to increase. The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service® (MLS®) totalled 3,136, a 9.9% decline compared to the same period in 2012. The bulk of this decrease was reported in lower sales for May and June, which were uncharacteristically high in 2012. This decline is also consistent with tighter mortgage regulations that were implemented in July 2012. MLS® sales in St. John's were down 8.4% during the first nine months of 2013. Nationally, residential sales were down 1.2% over the same period. For 2013 as a whole, sales activity for the province is forecast to reach 4,370, which would amount to a 6.0% decrease compared to 2012 (see chart).

Residential MLS® Sales and Average Price

f: forecast
Source: Canadian Real Estate Association

The first nine months of 2013 saw an average provincial MLS® residential price of $284,237, an increase of 7.0% compared to the same period in 2012. In St. John's, the average residential price was $301,822, 7.2% higher when compared to the same period in 2012. Continued income and employment growth appears to be sustaining price gains despite the overall slowing demand.

Rental Market

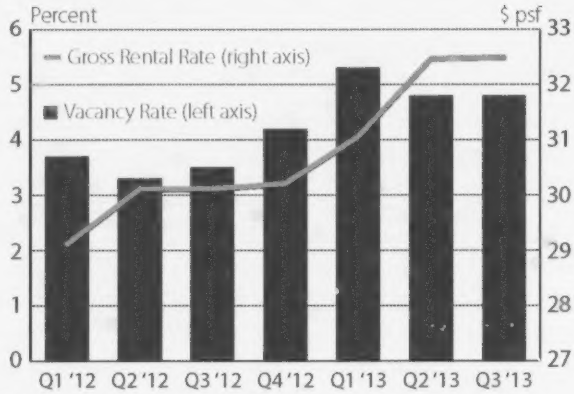
Residential vacancy rates in Newfoundland and Labrador have been low in recent years, and this has persisted in 2013. In April, the province's average vacancy rate was 1.7%, down a full percentage point from the previous year. Vacancy rates for April 2013 were 1.5% in the St. John's CMA, 2.8% in Gander, and 2.5% in the Grand Falls-Windsor area. Vacancy rates for the Corner Brook area were near zero. Consistent with the decline in vacancy rates, the average rent for a two-bedroom apartment in the province in April was $751, up from $727 in April 2012. By comparison, the average rent for a two-bedroom apartment in April was $808 in Prince Edward Island, $716 in New Brunswick, and $918 in Nova Scotia. A number of factors including strong labour markets, growing incomes, increasing house prices, and slowing multiple starts are expected to continue to keep vacancy rates low and place further upward pressure on rental prices.

Commercial

While residential vacancy rates have been predominantly low in recent years, commercial vacancy rates in 2013 have increased compared to 2012. Over the first three quarters of this year, the vacancy rate for office space in St. John's averaged 5.0%, up a full percentage point from the same period in 2012 (see chart). This increase reflects the fact that some of the urgency in the market caused by insufficient available space has been alleviated, particularly in the downtown area, with space becoming available at the Baine Johnston Centre and Atlantic Place.

Rental rates, however, have been more in line with the trend observed in the province's residential subsector. As demand for larger, modernized office space has risen, so too have rental rates. The average rental rate for office space in St. John's was $32 per square foot (psf) in the first three quarters of this year, compared to almost $30 psf in 2012—a 7.5% increase (see chart). This increase has been driven largely by increased absorption in suburban areas.

Office Vacancy and Rental Rates St. John's



Source: Cushman and Wakefield Atlantic

Travel and Tourism

Global and National Travel

Twillingate

Global tourism demand continued to post robust growth in 2013 despite continuing economic challenges (see *Global Economic Environment*). Worldwide international tourist arrivals reached a record 747 million during the first eight months of this year, an increase of 5.3% over the same period in 2012. These results were primarily driven by a strong performance in Europe and Asia, but all major regions shared in the growth. It is anticipated that by year's end the number of international arrivals will have surpassed the annual record of one billion set in 2012.

International travel to Canada was essentially unchanged in 2013. The number of trips to Canada by non-residents was down 0.5% during the first eight months compared with the same period in the previous year. Visits by United States residents, the largest visitor market for the Canadian tourism industry, declined by 1.2% and offset gains from other markets. U.S. travel to Canada declined sharply between 2000 and 2009, before steadying in recent years. This drop off has been attributed to several factors including a stronger Canadian dollar, tighter border crossing measures, higher gasoline prices, heightened marketing competition from other destinations, and in recent years, economic uncertainty. International visitor growth (excluding the U.S.) occurred in most major markets with Asia posting the strongest increase. Visitors to Canada from Asia grew by more than 9% during the first eight months compared to the same period in 2012.

Canadian hotel occupancy rates rose slightly during the first nine months of 2013. Rates averaged 64.4%, up 0.8 percentage points (ppt.) from the same period last year, while the average daily room rate increased by 2.0% to $133.

Provincial Travel

The travel and tourism industry in the province consists of residents who travel within the province and non-residents who visit the province. Together, both segments spent an estimated $1 billion in 2011.[8] The resident market is a substantial component of the province's tourism sector, generally representing between 55% and 60% of total tourism spending. The money spent by non-resident visitors is important in generating economic wealth by stimulating business growth and employment in Newfoundland and Labrador. Ontario and the Maritimes typically account for the majority (62% in 2011) of non-resident visitors to the province.

During the January to September period, the number of non-resident air and auto visitors to the province was on par with the same period in 2012, with visitor numbers reaching 384,500 (see table). A modest increase in visitors by air offset a decline in non-resident automobile visitors.

8 The latest year available for resident data is 2011.

Expenditures by non-resident air and auto visitors are expected to total around $465 million for the year, up approximately 2% from 2012, reflecting increased travel costs.

Air travel continues to be the preferred mode of travel for non-resident visitors to the province. This is the largest segment of the province's non-resident tourism sector, accounting for approximately 71% of visitors and 78% of spending in 2012.[9] During the first nine months of 2013, the number of non-resident air visitors reached 297,900, up 2.0% compared to the same period in 2012. Air passenger traffic has been supported in recent years by additional non-stop flight seat capacity and extended air services. Overall passenger movements exceeded 1.7 million at the province's seven major airports for the first nine months of the year, up 1.7% compared to 2012. Overall inbound seat capacity has increased by 21% (or 198,000 seats) since 2009. Inbound non-stop seat capacity is expected to be up by about 4% (or nearly 44,200 additional seats) in 2013. The increase is mainly driven by Canadian domestic flights, although expanded capacity has also occurred in flights from the U.S. and other international markets.

Year-to-Date Travel Snapshot

Indicator	Level	Change from same period in previous year
Non-resident visitors	384,500	+0.2%
Air (Jan-Sept)	297,900	+2.0%
Automobile (Jan-Sept)	86,600	-5.7%
Cruise (Season)	30,800	-21.2%
Accommodation Occupancy Rates (Jan-Aug)	53.2%	+1.6 ppts.
Room Night Sales (Jan-Aug)	962,600	+5.0%

Source: Department of Tourism, Culture and Recreation

Stairs to Cape Spear Lighthouse National Historic Site

Air carriers have also made adjustments to seat capacity for air travel within the province in recent years. Between 2010 and 2012, the number of seats available on intra-provincial flights increased by about 65,100 seats or approximately 17%. In 2013, however, some downward adjustment was made to seat supply—overall intra-provincial seat capacity is expected to be down just over 5% this year compared to 2012 (or about 24,000 seats). The decrease is driven by recent capacity losses for flights to Goose Bay, Wabush, Deer Lake and St. John's.

Non-resident automobile visitation continued to decline in 2013. During the first nine months of this year, the number of automobile visitors arriving by Marine Atlantic ferry totalled an estimated 86,600, down 5.7% over the same period in 2012. The drop was mainly due to fewer visitors from the Maritimes and Ontario, although declines were realized across all automobile markets. Travelling by auto continues to be challenged by many factors, including high gasoline prices, increasing ferry rates and associated fuel surcharges, unexpected downtime in ferry schedules, and the competing convenience of air travel. The drop this year in auto visitors is part of a long-term downward trend which started approximately 10 years ago.

9 A non-resident visitor is a person who does not reside in Newfoundland and Labrador, but who visited the province during the time period in question mainly for either vacation/pleasure, business, to attend a convention/conference or to visit friends and relatives. These air visitor estimates do not include individuals who reside in Newfoundland and Labrador and commute to other parts of the country for work.

Preliminary estimates indicate that there were about 30,800 unique cruise visitors during the cruise ship season this year.[10] This figure was second only to the record 39,100 reported in 2012. The cruise ship season began in St. John's on May 8 with a visit by the *Silver Whisper* of Silversea Cruises and ended in Corner Brook on October 29 with the *Emerald Princess* of Princess Cruises. There were over 60 port calls made during the season to many communities throughout the province.

The province's accommodation industry continued to perform well this year with higher occupancy rates and room sales. From January to August, accommodation occupancy rates averaged 53.2%, an increase of 1.6 ppt. over the same period of 2012. Gains in occupancy rates in the Labrador (up 5.0 ppt.), Avalon (up 4.1 ppt.) and Central (up 3.2 ppt.) regions offset losses in the Eastern and Western regions. The number of room nights sold from January to August reached 962,600, up 5.0% over the same period of 2012. Preliminary data also indicates that the provincial average daily accommodation room rate was $127, an increase of about 5% from the same period in 2012. Demand for accommodation services has increased in the province over the last decade in tandem with increased economic activity. In a recent report by PKF Consulting on the Canadian hotel industry, Newfoundland and Labrador and Alberta reported the biggest increase in hotel occupancy rates among provinces during the first nine months of 2013.

The province has strived to increase tourism through the use of advanced technologies such as mobile applications. During the first 10 months of this year, the province's new iPhone and iPad mobile application (app) was downloaded over 10,750 times. Newfoundland and Labrador Tourism launched the new Travel Guide iPhone App last year. This app is an extensive, complete and current source of provincial travel information and includes smart searching and location features for tourism services. It also provides users with access to the latest blogs and social media postings.

Over 44,000 enquiries for provincial travel-related information from all sources (i.e. web, e-mail, telephone) were reported from January to October of this year. In addition, approximately 1.7 million visits were registered at the province's tourism website during this period. Together, these represent an increase of about 21% in interest in the province as a travel destination compared to the same period in 2012. These figures bode well for industry potential going forward. They also reflect the advancements made in the variety and number of product offerings for visitors to enhance their experience. These achievements have been promoted well through award-winning marketing.

10 This figure is a Department of Tourism, Culture and Recreation estimate based on a review of itinerary information. This estimate counts passengers only once regardless of the number of ports visited. This should be distinguished from "cruise ship passenger visits", which is the industry standard, whereby passengers are counted at each port call made by their vessel.

Gross Domestic Product (GDP) and Employment by Industry

	GDP 2012p		Employment 2012	
	$ Millions	% of Total	Person Years 000s	% of Total
Goods-Producing Sector	**16,713.0**	**52.7%**	**50.1**	**21.7%**
Agriculture	102.2	0.3%	1.6	0.7%
Forestry & Logging	88.9	0.3%	0.7	0.3%
Fishing, Hunting & Trapping	227.5	0.7%	3.6	1.6%
Mining	2,730.9	8.6%	3.3	1.4%
Oil Extraction and Support Activities	8,961.4	28.2%	6.9	3.0%
Manufacturing	950.7	3.0%	11.3	4.9%
Fish Products	292.0	0.9%	4.0	1.7%
Other	65[illegible].6	2.1%	7.3	3.2%
Construction	2,909.7	9.2%	19.8	8.6%
Utilities	741.7	2.3%	2.9	1.3%
Services-Producing Sector	**15,019.5**	**47.3%**	**180.4**	**78.3%**
Wholesale Trade	610.9	1.9%	4.4	1.9%
Retail Trade	1,476.3	4.7%	30.5	13.2%
Transportation and Warehousing	737.8	2.3%	10.9	4.7%
Finance, Insurance, Real Estate & Business Support Services	3,891.9	12.3%	16.1	7.0%
Professional, Scientific, & Technical Services	832.0	2.6%	9.7	4.2%
Educational Services	1,557.3	4.9%	18.6	8.1%
Health Care & Social Assistance	2,169.0	6.8%	36.7	15.9%
Information, Culture & Recreation	745.7	2.3%	7.3	3.2%
Accommodation & Food Services	463.2	1.5%	13.7	5.9%
Public Administration	2,048.1	6.5%	18.8	8.2%
Other Services	487.4	1.5%	13.6	5.9%
Total, All Industries	**31,732.6**	**100.0%**	**230.5**	**100.0%**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products. Industry components may not sum to total due to independent rounding.

Source: Statistics Canada; Department of Finance

Newfoundland
Labrador

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